Retired and Scared of a Market Crash? Here Are 2 Things to Do and 2 Things to Avoid

Description

Retirees relying on investment income fear a market crash the most. When the value of your retirement savings is in danger of falling, the tendency is to press the panic button and make drastic changes in investment strategies. Avoid doing these two things in a market downturn.

Panic could lead to irrational decisions, like reducing stock investments. You will diminish the potential returns of the stocks in the future. There are two ways to counter a market crash without altering your strategies or selling your investments.

Plan in advance

The foundation of a problem-free retirement is early planning. Retirement is not something you can put off at a later date. A time-tested strategy is to invest in buy-and-hold assets.

Stocks such as **Capital Power** (TSX:CPX) and **Toronto-Dominion** (TSX:TD)(NYSE:TD) should help you successfully ride out any market volatility.

The 10-year historical returns of both stocks are enough to prompt investor interest. The total returns of CPX and TD during the period is 197.18% and 227.46%, respectively. Had you invested in the stocks 10 years ago, you would have realized significant money growth.

Create income needs

You can lower the risk of shrinking your retirement fund if you set up a cash emergency fund. If you have none, Capital Power and Toronto-Dominion can provide your income needs as well as supplement your pension. You can preserve your capital while using the dividends for retirement spending.

Utility companies, particularly Capital Power, are the safety nets when the market is declining. The business of this $3.73 independent power producer will not suffer but endure. It operates a portfolio of power-generating facilities, such as natural gas, solar, wind, coal, and solid fuel that delivers stable and increasing cash flows.

Capital Power's contracts are long term, which makes the business model low risk. Moreover, its transformation into a greener power producer should boost the pipeline and enable the company to pursue more contracted growth opportunities.

The stock is paying a tasty 5.53% today, but management intends to raise the dividend by 7% through 2021.

Toronto-Dominion rose to prominence during the 2008 financial crisis. It was the only company that coasted along yet was able to post revenue growth and profits. In 2020, this $133 billion banking giant should have more financial muscle.

The US$26 billion all-stock sale of its subsidiary, **TD Ameritrade**, is expected to close this year. According to TD's chief executive Bharat Masrani, the blockbuster deal will provide greater stability to the bank's balance sheet. At present, TD is the 10th-largest bank by assets in the U.S.

Toronto-Dominion is also the leading choice of dividend investors because of the safety of dividends. As proven in the past, this bank stock should provide a steady income stream regardless of the market environment.

For now, TD pays a respectable 4.03% dividend. However, you can expect an increase as the bank has a once-a-year dividend raise policy.

Protection against a market crash

Once in retirement, low-risk but high-quality stocks can protect your capital from a market crash. Whether the market is up or down, the dividends from Capital Power and Toronto-Dominion are safe and sustainable.

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3. TSX:TD (The Toronto-Dominion Bank)

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